

ROLE OF KNOWLEDGE MANAGEMENT IN INDIAN BANKING INDUSTRY (WITH REFERENCE TO SBI & ICICI)

V. PURENDRA PRASAD & A. RAGHAVENDRA PRASAD

Assistant Professor. of MBA Anantha Lakshmi Institute of Technology Sciences

Anantha Lakshmi Institute of Technology Sciences, India

ABSTRACT

As the global economy fast transitions into a knowledge-based economy, there is need to develop a knowledge policy at the national as well as industry level to guide the various economic agents on knowledge management. Effective knowledge management may be an important source of achieving long term sustainable competitive advantage. The concept of knowledge management is now an integral part of the strategic management processes of a growing number of organizations, as knowledge is increasingly considered as an important business asset and knowledge management as a key differentiator between firms. The objective of this study was to determine the extent to which banks have adopted knowledge management practices as well as to determine the various knowledge management practices by these banks. The main purpose of this study is to examine the basic components of knowledge management in banking sector and also to determine whether there is a difference between the private and public banks in the context of management practices.

KEYWORDS: *Global Economy, Effective Knowledge Management & Strategic Management Practices*

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INTRODUCTION

Background of the Study

The global economy has evolved through the industrial revolution, then to the information society and is transiting to a knowledge or knowledge- economy. According to analysts of the knowledge economy, the rules and practices that determined success in the industrial economy need to be rewritten: at the level of firms and industries, in terms of knowledge management, and at the level of public policy, as knowledge policy . This research intends to assess the knowledge management practices among **STATE BANK OF INDIA (SBI)** and **INDUSTRIAL CREDIT INVESTMENT CORPORATION OF INDIA (ICICI)** the concept of knowledge management practices and gives an overview of the banking sector in India.

The Concept of Knowledge Management

Knowledge is increasingly seen as a primary business asset while knowledge management is viewed as the key differentiator to distinguish firms since the 1990s (Drucker, 1995). The concept of knowledge management is now anchored in strategic and management processes of a growing number of organizations (Malhotra, 2005). Knowledge management is about delivering sustained business value, by enhancing the use of organizational knowledge through sound information management practices and organizational learning. It is founded on utilizing and exploiting the organization's information as well as on the application of peoples' competencies, skills, talents,

thoughts, ideas, intuitions, commitments, motivations, and imaginations (Harari, 1994). The knowledge-based perspective of the firm builds upon and extends the resource-based theory of the firm. This perspective postulates that the services rendered by tangible resources depend on how they are combined and applied, which is in turn a function of the firm's knowledge. This knowledge is embedded in and carried through multiple entities including organizational culture and identity, policies, systems and documents as well as individual employees (Grant 1996a, 1996b; Nelson & Winter 1982; Spender 1996). Since knowledge-based resources are usually difficult to imitate and socially complex, the knowledge-based view of the firm . knowledge assets may produce long term sustainable competitive advantage. However, it is not so much the knowledge existing at any given time per se but rather the firm's ability to effectively apply the existing knowledge to create new knowledge and to take action that forms the basis for achieving competitive advantage (Beesley & Cooper, 2008).

Effective knowledge management can help an organization to achieve competitive advantage by improving internal processes, customer services and products, and by creating a good working environment for employees. Knowledge management is indispensable in the financial industry because banks compete on the basis of knowledge as most of their work is knowledge-based. The rate of product and service innovation is ever rising in response to sophistication of customers. Moreover, while the size of the work force has been declining due to competitive pressures, staff mobility and early retirement has been on the rise. The time available to gain experience and acquire knowledge has also diminished. As a consequence of these factors, valuable business knowledge is lost. The forces of globalization have also increased the complexity and dynamism of the business environment and with the liberalization of most economies around the world; the financial markets are equally open to both big and small players.

The Banking Industry in India

According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalized and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well with a sense of optimism slowly creeping in, the banking industry expects that 2015 will bring better growth prospects. This optimism stems from factors such as the Government working hard to revitalize the industrial growth in the country and the RBI initiating a number of measures that would go a long way in helping the banks to restructure. The recent announcements of RBI, it is felt, are a clear pointer to the future of the restructured domestic banking industry.

Knowledge management in ICICI

ICICI bank adopted the knowledge management strategy in 2000. ICICI bank is a leading bank in private sector banks in India. Through the knowledge management strategy was implemented in the bank gaining success in its development and growth. Knowledge management was started with professional management methodologies. The bank linking with the technology through corporate intranet, ICICI provides training to the employees for acquainted with the web based technology. It is also created interest among the employees they can participate in these activities and share the knowledge among them. In 2002 the ICICI bank had a reverse manager with its parent organization with ICICI. Then the knowledge management team has restructured the strategy. The starting points the knowledge management team in ICICI bank were interaction with employees, sharing of information, effective communication, addressing the problems of knowledge ploods, training and skill development of employees towards the knowledge management it creates interest among the employees for acquiring, sharing and dissemination of knowledge. Its create a management culture made the

employees to think positively and professionally towards meet the challenges of the business. The bank has developed the wise guy in the knowledge management internet portal which is easily accessible. The portal Wise Guy was started because knowledge sharing was failure. Whenever an employee moves he cannot leave documented information about the job or client that he was associated with. Another reason for introduction the Wise Guy portal could act as a common bonding two different cultures enabling a smooth transition into a universal bank. ICICI bank has many branches spread all over the country. Employees are interacting only through the emails and have never seen each other. They are working in a virtual team. The Wise Guy portal began with that information which was explicit to only a few persons in the organization and tacit in general. Thus the contents of the portal were discussions, queries, edited contributions, books, training calendar, vendors, external and internal reports, events, and captured offline lectures/presentations. With all these knowledge management initiatives the employees are able to create organizations intellectual capital. In ICICI bank knowledge management is adopted not just like a technique or practice for the organization development and growth. Every employee associated with the knowledge management in the bank felt that it is an opportunity for them to develop themselves to enhance their day to day activity. The bank having well structure knowledge management strategy and it reviewed and evaluate by top level.

The structural document view for its content. The major contribution of knowledge management in ICICI. It creates a knowledge management store in the bank. It creates a good work culture. It emphasizes the belonging among employees. It's developed the decision making capacity and improved the employees' skills. Every employee comes forward to deposit the knowledge in the depository of bank. Every employee feels their workplace not a physical place. The satisfaction of knowledge users handling the behavior such as knowledge sharing, self help, and collaboration.

Knowledge Management in SBI

State Bank of India is the largest private bank in the country. Banks provides better service to the customers. By using technology the banking services can easier than the previous system. Customers can easily assess the facility 24x7. Banks provide the online banking, ATM, RTGS, NEFT, EFT, EDI and any other more services provides for the customer satisfactions. In today's era SBI manage the knowledge management through the technology. The SBI with cutting edge technology and innovative practices and striving for achieving total customer experience. The bank is looking to grow nationally and internationally. The SBI has gone beyond the usual domains of technology. The Bank is involved not only in the business development but also with care for the community and supports a range of socio-economic, educational and health initiatives. Enhance the risk management capabilities of banks. The State Bank of India has adapted Information and Communication Technology (ICT) for achieving the growth of the banks. The bank services had become more useful after introduction of technology for knowledge management in banks. The most common fields of knowledge management applications in banks are risk management, customer relationship management, marketing management, performance measurement etc. Knowledge management helps create, acquire, share and utilization of knowledge in banks. Knowledge management motivates the employees for more contribution to the organization. By using the technology not only the banks benefits but also the customers are benefited.

Statement of the Problem

Knowledge management has been recognized as a critical element in the management of any organization. However, most decisions in the banking sector are knowledge-based. Consequently, various studies have been conducted on knowledge management in the banking sector as well as in other industries. But Most of these studies have been carried

out in developed nations or different industries and as such the findings may not be applicable to the context of this study. However, Asava (2009) studied Knowledge Management for competitive advantage with in private banks in India. The later study was based on a sample of 2 banks and focused on the application of knowledge management as a tool to gain competitive advantage. None of these studies looked into knowledge management practices in Public sector and Private sector banks. This study sought to determine the knowledge management practices in SBI and ICICI bank.

Significance of the Study

The study highlights the concept and importance of knowledge management, the various approaches to this subject and the knowledge management practices. These practices have been analyzed from the knowledge management process perspective, which entails knowledge creation, development, retention and distribution. The study also shows the extent to which knowledge management has been integrated and aligned with the corporate strategy. In addition, the study could be used for comparative analysis of the knowledge management practices by other organizations or economic sectors. This study also adds to the body of knowledge of India's banking industry as regards knowledge management.

Scope of the Study

The present study focuses on "knowledge management practices in Indian banking industry "The study is conducted in ICICI and SBI banks at Rayalaseema region in Andhrapradesh. The present scope of the study is limited to the ICICI and SBI banks at rayalaseema region only but the future scope of the study can be expanded to the other region of Andhrapradesh or other state also. Other banks can also be included for further research. A comparison between other banks in different regions can also be studied.

Objectives of the study

- To assess the impact of Information technology on the knowledge management practices in SBI and ICICI banks.
- To evaluate the effectiveness of knowledge management practices in SBI and ICICI banks.
- To measure the level of satisfaction of employees towards knowledge management practices in SBI and ICICI banks.

Research Methodology

Research methodology is a way to systematically solve the problem. It may be understood has a science of studying how research is done scientifically. In it we study the various steps that all generally adopted by a researcher in studying his research problem along with the logic behind them.

Research Design

Sampling Procedure

The sampling method choosed for this study is stratified random sampling technique and convenience sampling method. The size of sample is 40 of total employees in two selected banks.

Data Collection

Primary Data

In this research the Primary data will be collected by distributing questionnaire to the employees of two selected

banks. Data source is primary, which include employees of the two banks.

Secondary Data

In this research the secondary data will be collected from the company records, Books, journals, research papers, and websites should be used to collect the information about knowledge management practices in SBI and ICICI banks.

Data Collection Instrument

Questionnaire method should adopt to get the responses from the respondents. Well structured Questionnaires were personally should be distributed among the sample.

Data Analysis

There is a special unit or department accountable for knowledge Management.

Table

Selected Banks	Yes	No	Total
SBI	12	8	20
ICICI	15	5	20
Total	27	13	40

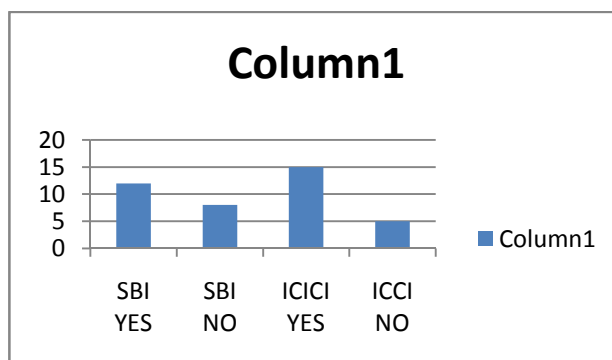


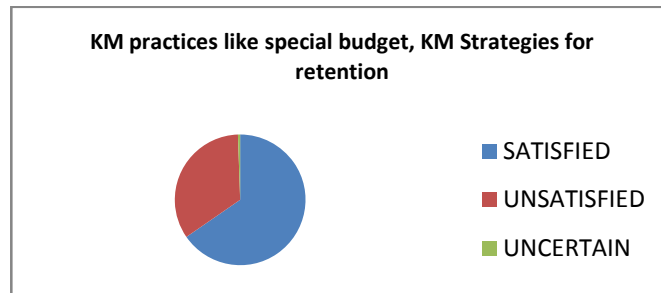
Figure 1: Special Department for Knowledge Management

Inference: from the above figure: 67% of the employees are accepted that there is a special unit or department accountable for knowledge management and 33 % are not accepted in the two selected banks.

Is implementation of KM practices like special budget, KM Strategies for retention benefited to employees?

Table

Selected banks	Satisfied	Unsatisfied	Uncertain	Total
SBI	10	8	2	20
ICICI	13	4	3	20
Total	23	12	5	40

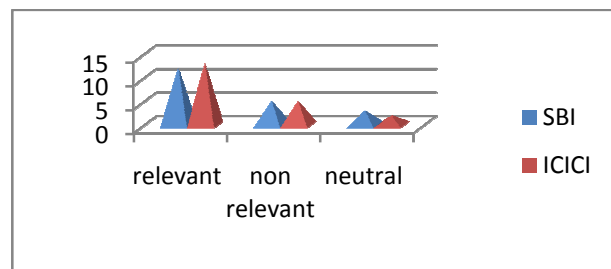
**Figure 2**

Inference: from the above figure 57% of the employees are satisfied that there is a implementation of KM practices like special budget, KM Strategies for retention benefited to employees and 38 % are not satisfied and 5 % are uncertain in the two selected banks.

Is implementation of Information technology relevant on the knowledge management practices?

Table

Selected banks	Relevant	Non relevant	Neutral	Total
SBI	12	5	3	20
ICICI	13	5	2	20
Total	25	10	5	40

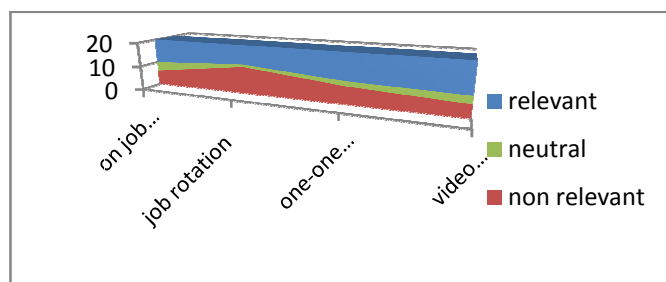
**Figure: 3: Implementation of Information Technology Relevant on the Knowledge Management Practices**

Inference: From the above fig 62% of the employees are relevant that there is a implementation of Information technology relevant on the knowledge management practices 25% of the employees and are not relevant and 12% are neutral in the two selected banks.

Modes of Sharing and Distributing Knowledge in two selected banks

Table

Modes	Relevant	Non-relevant	Neutral	Total
On the job training	10	6	4	20
Job rotation	8	11	1	20
One –one meeting	11	7	2	20
Video conference	12	5	3	20



Inference: From the above figure 50% of the employees are relevant that there are modes of sharing and distributing knowledge on the knowledge management practices 30 % of the employees and are not relevant and 20% are neutral in the two selected banks.

FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

As regards knowledge management practices, the most relevant knowledge creation/conversion process was socialization (conversion of tacit knowledge to new tacit knowledge through social interaction and shared experience among organizational members e.g. apprenticeship) and internalization (creation of new tacit knowledge from explicit knowledge e.g. through learning and understanding resulting from reading or discussion). On-the-job training and teamwork were the leading modes of knowledge development. The most relevant mode of knowledge retention was through best practices and also the use of document management systems and employee retention strategies. On-the-job training was also was the most relevant 40 mode of sharing and distributing knowledge as well as the use of e-mails, telephones, intranet, job rotation and one-to-one meetings. The study found that the majority of the respondents were conversant with the term knowledge management and that most of the banks did not have a knowledge management strategy in place. Besides, most of the banks did not have a special unit or department accountable for knowledge management.

RECOMMENDATIONS

This study found that the state of knowledge management is still at the infancy level and is yet to be formally entrenched as part of corporate strategy. The researcher therefore recommends that future research studies may be conducted to assess the general state of knowledge management in another economic sector, industry or across various industries India. Further research could be done to determine the factors influencing the adoption of knowledge management in the banking sector.

CONCLUSIONS

This study aimed to determine the extent to which private banks have adopted knowledge management. To this end, it established that, while there is a general sense of appreciation of the concept of knowledge management by private banks, the state of knowledge management is still at the infancy level and is yet to be formally entrenched as part of corporate strategy. Another objective of the study was to determine the various knowledge management practices by these private banks. On-the-job training, particularly through social interaction and shared experience among organizational members, was the leading mode of developing, sharing and distributing knowledge. In addition, the use of e-mails, telephones, intranet, job rotation and one-to-one meetings, were important knowledge management practices. The most relevant modes of knowledge retention were through best practices, use of document management systems as well as employee retention strategies.

LIMITATIONS OF THE STUDY

Research studies of this nature could not be carried out without any limitation . The researcher had a restricted access to the records of SBI and ICICI banks. The present study needs some confidential information regarding knowledge management practices implemented in two selected banks. Another important limitation with research is that the cities from which data is collected have been selected as per the convenience and therefore some of the major cities were not included in the sample space due to time and resource constraints. The sample selection was done very carefully to make the sample representative of the whole population.

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